

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 7/9/01

Date Issued 10/81

Revisions throughout

Filing Number 9,102

Page 1 of 8

SUBJECT

Canteen Funds, Work Therapy Funds and Benefits Funds at State Institutions

PURPOSE

Procedures for opening, accounting for and reporting on canteen, work therapy and benefit operations at state institutions.

AUTHORITATIVE REFERENCE

K.S.A. 75-3728e et. seq.

K.A.R. 1-27-1 et seq.(revision in process)

GENERAL INFORMATION

1. Definitions

- a. "Canteen" means a retail store which offers for sale items of necessity, comfort, and morale which are not other wise accessible to persons in the environment of a state institution. K.S.A. 75-3728e(a).
- b. "Canteen Fund" means the moneys and other assets used for operations of a canteen. K.S.A. 75-3728e(b).
- c. "Benefit Fund" means the moneys and other assets available to provide property, services, or entertainment in a state institution. K.S.A. 75-3728e(c).
- d. "Work Therapy Project" means a sheltered workshop or other similar vocational training activity whether on or off campus at a state institution. K.S.A. 75-3728e(d).
- e. "Work Therapy Fund" means the moneys and other assets used to operate a work therapy project for persons in a state institution. K.S.A. 75-3728e(e).

2. *Establishment of canteen, canteen fund, work therapy fund and benefit fund-* K.S.A. 75-3728f provides that authority to establish a canteen may be obtained by the superintendent, president or other supervisory head of any

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 7/9/01

Date Issued 10/81

Revisions throughout

Filing Number 9,102

Page 2 of 8

state institution from the Director of Accounts and Reports. K.A.R. 1-27-1 provides that the Director's approval may similarly be obtained for establishment of a canteen fund, a work therapy fund and a benefit fund.

The application from DA-68 must be submitted for approval. Upon receipt, the Director of Accounts and Reports will review the documentation and may arrange an onsite visit to review the operation to assure compliance with the statute and regulations before issuing an approval.

3. *Custodian of funds* – K.A.R. 1-27-2 provides that the supervisory head of state institution shall appoint a custodian for each canteen fund, work therapy fund and benefit fund. Responsibilities of the custodian includes establishing internal controls over the moneys of these funds and maintaining the accounting records prescribed by the Director of Accounts and Reports.
4. *Accounting records* – K.A.R. 1-27-3 requires that each canteen fund, work therapy fund and benefit fund maintain the records necessary and appropriate for reporting in accordance with generally accepted accounting principles as prescribed by the Director of Accounts and Reports. The records maintained should include, but not be limited to those necessary to adequately report receipts, receivables, disbursements, payables, purchases, sales, inventory, equipment, accumulated depreciation, retained earnings and contributed capital.
5. *Reporting requirements* – K.A.R. 1-27-3 requires the custodian of each canteen fund to prepare an income statement and balance sheet on each fund or operation for the fiscal year ended June 30 of each year. The custodian of each benefit fund and work therapy fund is required to prepare a change in fund balance statement on each fund or operation for the fiscal year ended June 30 of each year. One copy of each report must be filed with the Division of Accounts and Reports, Central Accounting Services Section by July 25 of each year. See Example B, C, and D for sample formats for these statements. Generally accepted accounting principles apply to all accounting for these funds.
6. *Deposits and expenditures* – K.S.A. 75-3728f provides that moneys of canteen funds, work therapy funds and benefit funds shall be deposited in an account of a bank, a savings and loan association or a federally chartered savings bank, which bank, association or savings bank is insured by the federal government or an agency thereof, or invested in a credit union which is insured with an insurer or guarantee corporation as required under K.S.A. 17-2246. K.S.A. 75-3728f also provides that the financial institution is to be designated by the Pooled Money Investment Board. (See Exhibit A for

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 7/9/01

Date Issued 10/81

Revisions throughout

Filing Number 9,102

Page 3 of 8

sample application letter.) K.A.R. 1-27-4 provides that all disbursements must be by check from the fund bank account and each check must be signed by the custodian or alternate. Petty cash funds, change funds, and imprest funds may be established from canteen, work therapy or benefit funds under procedures specified by the Director of Accounts and Reports. These procedures can be found in P.P.M. filings, 10,752, 9,101 and 10,802 respectively.

K.S.A. 75-3728f also provides that except as otherwise directed by the Pooled Money Investment Board, moneys of canteen funds, work therapy funds and benefit funds shall be placed in one or more interest-bearing accounts. Interest earned on moneys invested under this act shall be regularly prorated according to procedures approved by the Director of Accounts and Reports and credited to the appropriate funds from which they were invested.

7. *Prorating interest earned on moneys invested* – The basis for prorating interest earned on moneys invested by canteen funds, work therapy funds and benefit funds is the proportion that each fund's investment bears to the total investment.

Since K.S.A. 75-3728 requires the Director of Accounts and Reports to approve the basis for prorating interest earned, any variations from the above procedure must be submitted to the Director of Accounts and Reports.

8. *Canteen coupon books* – K.A.R. 1-27-5 authorizes the use of coupon books by canteen operations. These books may be sold by the custodian of the benefit fund and are accepted on purchases at face value by the canteen cashier when presented by the registered owner. The custodian of the canteen fund may redeem the coupons at face value by presenting them, at least monthly, to the custodian of the benefit fund who maintains a complete record of the sale and redemption of coupons.

The custodian of the benefit will file the redeemed coupons by denomination. He or she will retain the coupons until the completion of the next audit of the institution fund by the Division of Post Audit. Upon approval of the period covered, in writing in the audit report issued by the Division of Post Audit, the coupons may be destroyed.

9. *Budget of Institutions* – K.S.A. 75-3728g. requires the annual budget request of each institution having a canteen or benefit fund to report canteen and benefit fund operations as separate activities. Each must be justified on the basis of recommended expenditures, estimated revenues and proposed

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 7/9/01

Date Issued 10/81

Revisions throughout

Filing Number 9,102

Page 4 of 8

distribution of profits. Profits of a canteen or any part thereof may be retained in the canteen fund or distributed to a benefit fund in accordance with appropriation acts of the legislature.

CONTACT SOURCES

Division of Accounts and Reports
Central Accounting Services Section
Financial Integrity Team

**DIVISION OF ACCOUNTS AND REPORTS
POLICY AND PROCEDURE MANUAL**

Revision Date 7/9/01

Date Issued 10/81

Revisions throughout

Filing Number 9,102

Page 5 of 8

Exhibit A

APPLICATION TO POOLED MONEY INVESTMENT BOARD

(Agency Letterhead)

Director of Investments
Pooled Money Investment Board
Room 209-N, LSOB
Topeka, Kansas 66612-1220

Dear _____ :

Re: (Canteen) (Work Therapy) (Benefit) Fund Account

_____ has custody of a _____ trust fund authorized under K.S.A. 75-3728e et seq. Pursuant to this act, moneys of canton funds shall be deposited or invested in an interest bearing account of a bank, a savings and loan association or a federally chartered savings bank, which bank, association or savings bank is insured by the federal government or an agency thereof, or in a credit union which is insured with an insurer or guarantee corporation as required under K.S.A. 17-2246.

I recommend that the Pooled Money Investment Board designate the following financial institution(s) as a depository for the _____ trust fund account(s) or investment(s) listed below because _____ .

*Title of Deposit Account
or Investment Account*

*Recommended Financial
Institution*

*Estimated Size of
Account Balance*

Sincerely,

(signed)
Chief Administrative Officer

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 7/9/01

Date Issued 10/81

Revisions throughout

Filing Number 9,102

Page 6 of 8

Exhibit B

(institution)
Canteen Fund Income Statement
Fiscal Year Ended June 30, _____

Operating Income

Sales	\$19,000.00
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Operating Expenditures

Costs of Sales		
Merchandise Inventory, June 30, _____	\$ 4,500.00	
Purchases	<u>12,225.00</u>	
Total Available	\$16,725.00	
Less: Merchandise Inventory, June 30, _____	<u>4,150.00</u>	
Costs of Sales		<u>12,575.00</u>

Gross Income	\$ 6,425.00
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Supplies	\$ 25.00	
Salary Expenses	3,600.00	
Sales Tax Expense	553.40	
Depreciation Expense	<u>75.60</u>	
Total Operating Expenses		<u>4,254.00</u>

Net Operating Income	\$ 2,171.00
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Other Income

Commission Income – vending machine sales	1,829.00
Interest Income	<u>50.00</u>

Net Income for the Quarter	\$ 4,050.00
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Amount to be Transferred to Benefit Fund at June 30, _____	\$ 3,850.00
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DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 7/9/01

Date Issued 10/81

Revisions throughout

Filing Number 9,102

Page 7 of 8

Exhibit C

(institution)
Canteen Fund Balance Sheet
June 30, _____

ASSETS

Current Assets

Cash - - Acme State Bank	\$17,500.00	
Cash - - On Hand	<u>300.00</u>	
Total Cash	\$17,800.00	
Accounts Receivable	750.00	
Merchandise Inventory (1)	<u>4,150.00</u>	
Total Current Assets		\$22,700.00

Fixed Assets

Equipment	\$ 8,000.00	
Less: Allowance for Depreciation (2)	<u>4,200.00</u>	
Total Fixed Assets		<u>3,800.00</u>

Total Assets \$26,500.00

LIABILITIES

Current Liabilities

Accounts Payable	\$3,446.60	
Sales Tax Payable	<u>553.40</u>	
Total Current Liabilities		\$ 4,000.00

CAPITAL

Capital at June 30, _____	\$22,300.00	
Net Income for Year Ended June 30, ____	<u>4,050.00</u>	
Total Available	\$26,350.00	
Less: Withdrawn & Transferred to Benefit Fund	<u>3,850.00</u>	
Total Capital		<u>22,500.00</u>
Total Liabilities and Capital		<u>\$26,500.00</u>

(1) Merchandise inventory is maintained on the last-in first-out (LIFO) method.

(2) Depreciation expense is determined by using the straight-line method.

DIVISION OF ACCOUNTS AND REPORTS POLICY AND PROCEDURE MANUAL

Revision Date 7/9/01

Date Issued 10/81

Revisions throughout

Filing Number 9,102

Page 8 of 8

Exhibit D

(institution)

Fund Financial Statement
Fiscal Year Ended June 30, _____

Balance of Fund at June 30, _____ \$23,700.00

RECEIPTS

General Fund Account:			
Transfer from Canteen Fund	\$3,850.00		
Miscellaneous Receipts	350.00		
Interest Income	<u>25.00</u>	\$4,225.00	
Christmas Fund:			
Miscellaneous Receipts	\$1,450.00		
Interest Income	<u>15.00</u>	1,465.00	
Library Fund:			
Miscellaneous Receipts	\$ 500.00		
Interest Income	<u>10.00</u>	<u>510.00</u>	
Total Receipts for Year Ended June 30, ____			\$ 6,200.00
			<u>\$29,900.00</u>

EXPENDITURES

General Fund Account:			
Entertainment	\$ 250.00		
Equipment, Purchase, Replacement & Repair	475.00		
Televisions and TV Repair	<u>1,000.00</u>	\$1,725.00	
Christmas Fund		750.00	
Library Fund		<u>250.00</u>	
Total Disbursements for Year Ended June 30, ____			\$ 2,725.00
Balance of Fund at June 30, _____			<u>\$27,175.00</u>
Bank Balance June 30, ____		\$26,725.00	
Cash on Hand June 30, _____		<u>450.00</u>	
			<u>\$27,175.00</u>

Balance on Accounts in Benefit Fund at June 30, ____

General Fund	\$20,025.00
Christmas Fund	4,900.00
Library Fund	<u>2,250.00</u>
Total	<u>\$27,175.00</u>